

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100.5230 Combined Estimated Tax Payments

TITLE 86: REVENUE

**PART 100
INCOME TAX**

SUBPART P: COMBINED RETURNS

Section 100.5230 Combined Estimated Tax Payments

- a) In general. If a combined return is filed for two consecutive taxable years, payments of estimated tax must be made on a combined basis for each subsequent taxable year, until such time as separate returns are properly filed. For the taxable years in which combined estimated payments are required, the combined group shall be treated as one taxpayer for purposes of IITA Section 803 (relating to payment of estimated tax). If separate returns are properly filed in a year after a combined return year, the amount of any estimated tax payments made on a combined basis for such year shall be credited against the separate tax liabilities of the former members of the combined group in the manner allocated by the designated agent which is satisfactory to the Department. The manner of allocation will be satisfactory to the Department if it does not jeopardize the collection of any liability and does not conflict with any allocation made under Section 100.5250(d)(2) of this Part.
- b) First two combined return years. For the first two years for which a combined return is filed, payments of estimated tax may be made on either a combined or separate basis. The amount of any separate estimated tax payments made for such year shall be credited against the combined tax liability. The designated agent shall give notice, in the manner and form prescribed by the Department in the instructions to Illinois Schedule UB, of any estimated payments made on a separate basis for any such year.
- c) Penalty for underpayment of estimated tax:
 - 1) In general. If a combined return is filed, the amount of any penalty for underpayment of estimated tax shall be computed as if the combined group were one taxpayer.
 - 2) Penalty in the first combined return year. In the first combined return year, the determination of any penalty due under IITA Section 804 (including, for taxable years ending prior to December 31, 1990 the application of the exceptions under former IITA Section 804(d)(1) and (2)) shall be made using the aggregate of the tax and income shown on the returns filed by members of the combined group for the previous year.
 - 3) Combined payments made but separate returns filed for a tax year following a combined return year. If a combined group makes payments of estimated tax on a combined basis for all or any part of a taxable year, and its members properly file separate returns for the taxable year, the payments made shall be allocated

in the manner provided by subsection (a). The determination of any penalty due from any of the members of the combined group making the estimated payments, as imposed under IITA Section 804 (including, for taxable years ending prior to December 31, 1990, the application of the exceptions under prior IITA Section 804(d)(1) and (2)), shall be made using each former member's separate company items from the combined return filed for the previous year and such member's allocated share of the combined estimated payments for the current year. The allocated shares shall be reported to the Department by the designated agent in the manner prescribed in the instructions to Schedule UB.

- 4) Combined payments made but separate returns filed for a tax year not following a combined return year. If combined estimated payments are made for a tax year but no combined return is filed for that year and no combined return was filed in the previous year, the estimated tax shall be a credit only for the corporation that made the payment.

d) Change in membership

- 1) Entering. If a corporation becomes a member of a new or existing combined group during a common taxable year (the "entry year"):
 - A) for purposes of applying IITA Section 804 for the entry year, such corporation's separate company items shown on its return for its taxable year preceding the entry year shall be included with the corresponding items of the members of the combined group for the common taxable year preceding the entry year;
 - B) if such corporation is not a member of the combined group for the entire entry year, for purposes of applying IITA Section 804 to the common taxable year immediately following the entry year, such corporation's separate company items for that portion of the entry year prior to the date of entry shall be included with the corresponding items of the combined group for that taxable year; and
 - C) if a corporation was a member of another combined group during any portion of the entry year in which it becomes a member of a second combined group or during any portion of the preceding taxable year, for purposes of applying subsections (d)(1)(A) and (B) of this Section, such corporation's separate company items shall include the items attributed to such corporation by the designated agent of the first combined group under subsection (d)(2) below.
- 2) Leaving
 - A) If a corporation leaves a combined group during a common taxable year (the "departure year"):
 - i) for purposes of applying IITA Section 804 to the combined group for the departure year, the separate company items attributed to such corporation by the designated agent for the common taxable year preceding the departure year shall be excluded from the corresponding items of the combined group as if

such corporation had not been a member of the combined group during the common taxable year preceding the departure year;

ii) in the case of a corporation departing a combined group after the beginning of the departure year, for purposes of applying IITA Section 804 to the combined group in the common taxable year beginning after the departure year, separate company items attributed to such corporation by the designated agent for the portion of the departure year prior to its departure shall be excluded from the corresponding items of the combined group as if such corporation had not been a member of the group during that portion of the departure year; and

iii) for purposes of applying IITA Section 804 to such corporation, for the first taxable year of the corporation beginning after the date of departure, and, in the case of a corporation that leaves a group prior to the end of such corporation's taxable year, for the portion of its separate taxable year remaining after the date of departure, such corporation shall take into account the separate company items attributed to it by the designated agent under subsections (d)(2)(A)(i) and (ii) of this Section.

B) If the designated agent fails to make reasonable attributions of separate company items, as described in subsections (d)(2)(A)(i) and (ii) of this Section, prior to the date on which the first Illinois Income Tax return for the departure year is filed by either the combined group or such corporation, no items shall be attributed to such corporation for purposes of applying Section 804 to the combined group or to such corporation.

- e) Examples. The provisions of this Section may be illustrated by the following examples:
- 1) Example 1. Corporations P and S-1 file a combined return for the first time for calendar year 1985. P and S-1 also file combined returns for 1986 and 1987. For 1985 and 1986, P and S-1 may make payments of estimated tax on either a separate or combined basis. For 1987, however, the group must pay its estimated tax on a combined basis. In determining whether P and S-1 come within the exception provided in IITA Section 804(d)(1) (as in effect for 1985), the "tax shown on the return" is the aggregate amount of tax shown on the separate returns of each member for 1984.
 - 2) Example 2. Corporations X and Y filed combined returns for the calendar years 1985 and 1986 and separate returns for 1987. In determining whether X or Y comes within the exception provided in IITA Section 804(d)(2) (as in effect for 1987), the "facts shown on the return" are the facts shown on the combined return for 1986 attributable to X and to Y by the designated agent.
 - 3) Example 3. Assume the same facts as in Example 1. Assume further that corporation S-2 becomes a member of the group on July 1, 1987, and joins in the filing of the combined return for 1987. In determining whether the group (which now includes S-2) comes within the exception provided in IITA Section 804(d)(1)

(as in effect for 1987), the "tax shown on the return" is the tax shown on the combined return for 1986 plus any tax of S-2 on its separate return for 1986. In addition, for purposes of applying IITA Section 804(d)(2) (as in effect for 1987), the "facts shown on the return" for 1986 shall include the facts shown on the combined return plus the separate company items of S-2 for 1986.

In applying IITA Section 804(d) for 1988, the "tax shown on the return" and the "facts shown on the return" for 1987 shall include the separate company items of S-2 for the period prior to the July 1, 1987 date of its entry into the combined group.

- 4) Example 4. Assume the same facts as in Example 1. Assume further that corporation S-2 is a member of the group during 1986, and joins in the filing of the combined return for such year, but ceases to be a member of the group on September 15, 1987. In determining whether the group (which no longer includes S-2) comes within the exception provided in IITA Section 804(d)(1) (as in effect for 1987), the "tax shown on the return" is the tax shown on the combined return for 1986 less the amount attributed to S-2 by the designated agent. In applying IITA Section 804(d)(2), the "facts shown on the return" for 1986 will exclude the separate company items attributed to S-2 by the designated agent. Likewise, with regard to S-2's return, the "tax shown on the return" and the "facts shown on the return" for 1986 shall be the amounts attributed to S-2 by the designated agent.
- 5) Example 5. Assume that, on July 1, 1996, S-3 becomes a member of a combined group. Both S-3 and the combined group use a calendar taxable year. For purposes of applying IITA Section 804(c)(1)(B)(ii) for 1996, the "tax shown on the return of the taxpayer for the preceding taxable year" shall include the tax shown on the combined return for 1995 plus the tax shown on S-2's separate return for 1995. If S-3 was a member of another combined group during 1995, the tax attributed to it for 1995 by the designated agent of its former combined group shall be added to the tax shown on the combined return of its new group for 1995. For purposes of applying IITA Section 804(c)(1)(B)(ii) for 1997, the "tax shown on the return of the taxpayer for the preceding taxable year" shall include the tax reported by S-3 on its separate company return for the period ending prior to its July 1, 1996 entry into the group or any tax liability of its former combined group for 1996 attributed to it by the designated agent of the former combined group.
- f) For tax years ending on and after December 31, 1990, IITA Section 804(e) provides that the penalty imposed by Section 804(a) will not be imposed "if the taxpayer was not required to file an Illinois income tax return for the preceding year." Because a combined group is treated as a single taxpayer, this exception to the Section 804 penalty shall apply to a combined group only if none of its members were required to file an Illinois income tax return for the preceding year.
- g) If a designated agent makes estimated payments on the erroneous premise that a corporation is an eligible member of the combined group, and discovers the error prior to the time the combined group and the corporation file their respective returns, the designated agent of the combined group may allocate some or all of the estimated payments made on behalf of the combined group to such corporation, and the combined group and the corporation will each compute their penalties as if the

estimated payments allocated to such corporation had actually been paid by it rather than by the combined group. The amount of estimated tax payments allocated to such corporation pursuant to this subsection (g) must be consistent with the amounts allocated to such corporation under Section 100.5250(d)(2) of this Part.

(Source: Amended at 22 Ill. Reg. 19033, effective October 1, 1998)